

NATIONAL DAIRY MARKET AT A GLANCE**CHICAGO MERCANTILE EXCHANGE (CME) CASH MARKETS (12/23)**

BUTTER: Grade AA closed at \$1.3350. The weekly average for Grade AA is \$1.3333 (-.0325).

CHEESE: Barrels closed at \$1.4000 and blocks at \$1.4300. The weekly average for barrels is \$1.4200 (+.0240) and blocks, \$1.4525 (+.0215).

BUTTER: The cash butter price is mixed although the market tone is weak. Cream offerings are heavy and will increase for the next few weeks. Most surplus cream will enter the churn. Most butter operations will be at or very near peak capacity during the holiday period. Cream prices are expected to decline as the holiday period unfolds with buyers stating that they should be able to negotiate prices to keep volumes moving. Butter stocks are readily available for immediate and future needs. Some last minute print orders were reported this week as retailers and restaurants prepare for the holidays.

CHEESE: The cheese market is weak. Current interest is light and spotty, either for immediate needs or for delivery in 2006. Most sellers expect bulk cheese demand to remain light into the New Year. Some early January orders depend on how strong holiday movement was. Processors and packagers will be operating on abbreviated schedules the next 2 weeks. Cheese production is steady to heavier as extra milk volumes will be diverted from bottling operations over the year end holiday period. Cheese yields remain strong seasonally.

FLUID MILK: The major concern of processors over the next two weeks is to be able to handle milk supplies in a timely fashion. Expectations are that milk will be processed as plants run on extended schedules. Bottled milk orders have slowed as schools recess for various winter breaks. Many smaller processing plants take additional downtime around holidays. Limited transportation availability and increased costs also factor into the balancing equation. Additional fuel surcharges are making shipping milk more expensive this year. Milk production is steady to moving slightly higher off seasonal low levels in many parts of the country.

DRY PRODUCTS: Demand for dry products has slowed along traditional end of year patterns. Interest in NDM is lower with exporting slower. Discounting has occurred to move product at the same time formula pricing has increased other prices. Buttermilk demand remain very slow and stocks are being offered and traded at lower prices. Whey continues to clear at higher prices. Production is active but moving. Lactose prices are unchanged, but first quarter 2006 levels are trending higher. Whey protein concentrate moved lower and the market tone is weak. Stocks are available from many producers and resellers.

CCC: During the week of December 19 - 23, there was no dairy price support activity.

FEDERAL MILK ORDER ADVANCE PRICES HIGHLIGHTS (DAIRY PROGRAMS): Under the Federal milk order pricing system, the base price for Class I milk for January 2006 is \$13.38, down 19 cents from December 2005. This price is derived from the advanced Class III skim milk pricing factor of \$8.42 and the advanced butterfat pricing factor of \$1.5016 per pound. Class I differentials specific to each county are added to the base price to determine the Class I price. The Class II skim milk price for January is \$8.38 and the Class II nonfat solids price is \$0.9311 per pound. The following are the two-week product price averages: butter \$1.3663, nonfat dry milk \$1.0018, cheese \$1.3979, and dry whey \$0.3244.

COLD STORAGE (NASS): On November 30, U.S. cold storage holdings of butter totaled 61.3 million pounds, 37.5% less than a month ago but 7.3% more than last year. Natural American cheese holdings total 509.2 million pounds, 5.1% less than a month ago, but 5.8% higher than a year ago. Total cheese stocks were 716.8 million pounds, 4.5% lower than October, but 1.8% higher than November 2004.

DAIRY OUTLOOK (ERS): Dairy markets in the second half of 2005 developed much as expected. The strong returns of the last 2 years unleashed large increases in milk production that outstripped expansion in dairy demand and eroded milk and dairy product prices. However, the remarkable demand of late 2005 was enough to keep price declines small. For the year, farm milk prices will average less than \$1 per cwt below the 2004 record—even though milk production probably has risen almost 4% on a daily average basis. Next year likely will look a lot like 2005. Milk production probably will rise substantially. The year-to-year increase is projected to be significantly smaller—but simply because the comparison is with the strong 2005 output instead of the weak 2004 production. Farm milk prices are projected to decrease again but to hold near the 2000-05 average.

Expansion in milk production continues along expected patterns. Milk cow numbers have been pushed higher by farm expansions and the relatively few farm exits, results of the strong returns of the last 2 years. The expected reduction in 2006 returns probably will not be enough to significantly slow farm expansions or boost farm exits. Another fractional rise in milk cows is projected to combine with about a 2% jump in milk per cow to boost 2006 milk production almost 3%. Dairy product demand is projected to remain good in 2006. Meanwhile, exports of skim solids are likely to stay heavy. Movement probably will be brisk enough to absorb the increase in milk output with only a modest decline in prices. Prices of butter and nonfat dry milk are expected to be fairly steady in 2006. Wholesale cheese prices are expected to slip during the first half of 2006.

NOVEMBER MILK PRODUCTION (NASS): Milk production in the 23 major states during November totaled 13.0 billion pounds, up 4.6% from November 2004. October revised production, at 13.3 billion pounds, was up 4.0% from October 2004. The October revision represented a decrease of 17 million pounds from last month's preliminary production estimate. Production per cow averaged 1,590 pounds for November, 59 pounds (3.9%) above November 2004. The number of cows on farms was 8.16 million head, 60,000 head (0.7%) more than November 2004, and 2,000 head more than October 2005.

NOVEMBER FEDERAL MILK ORDER PRICE AND POOL SUMMARY (FMMO): During November, about 9.5 billion pounds of milk were received from producers. This volume of milk is 23.5% higher than the November 2004 volume. (Taking into account the volume of milk not pooled due to intraorder disadvantageous price relationships, the year-to-year change is +1.4%.) About 3.8 billion pounds of producer milk were used in Class I products, 1.6% lower than the previous year. Calendar composition likely had a negative impact on milk used in Class I in 2005 as compared to 2004. The all-market average Class utilization percentages were; Class I = 40%, Class II = 12%, Class III = 39%, and Class IV = 9%. The weighted average statistical uniform price was \$14.75, \$0.52 lower than last month, and \$1.00 lower than last year.

SPECIALS THIS ISSUE

BUTTER AND CLASS III & IV MILK FUTURES (PAGE 7)

INTERNATIONAL DAIRY MARKET NEWS (PAGE 8)

NOVEMBER MILK PRODUCTION (PAGE 11)

DAIRY OUTLOOK (PAGES 12-14)

NOVEMBER FEDERAL MILK ORDER PRICE AND POOL SUMMARY
(PAGE 15)

**CHICAGO MERCANTILE EXCHANGE
CASH TRADING**

PRODUCT	MONDAY DECEMBER 19	TUESDAY DECEMBER 20	WEDNESDAY DECEMBER 21	THURSDAY DECEMBER 22	FRIDAY DECEMBER 23	WEEKLY CHANGE*	WEEKLY AVERAGE#
CHEESE							
BARRELS	\$1.4300 (+.0325)	\$1.4300 (N.C.)	\$1.4200 (-.0100)	\$1.4200 (N.C.)	\$1.4000 (-.0200)	(+.0025)	\$1.4200 (+.0240)
40# BLOCKS	\$1.4600 (+.0300)	\$1.4600 (N.C.)	\$1.4600 (N.C.)	\$1.4525 (-.0075)	\$1.4300 (-.0225)	(N.C.)	\$1.4525 (+.0215)
BUTTER							
GRADE AA	\$1.3300 (-.0275)	----	\$1.3350 (+.0050)	----	\$1.3350 (N.C.)	(-.0225)	\$1.3333 (-.0325)

CHEESE: carload = 40,000-44,000 lbs., BUTTER: carlot = 40,000-43,000 lbs. *Sum of daily changes. # Weekly averages are simple averages of the daily closing prices for the calendar week. Computed by Dairy Market News for informational purposes. This data is available on the Internet at WWW.AMS.USDA.GOV/MARKETNEWS.HTM NOTE: CME NDM on Page 2 and the CME will be closed 12/26/05 and 1/2/06.

CHICAGO MERCANTILE EXCHANGE

MONDAY, DECEMBER 19, 2005

CHEESE — SALES: 2 CARS 40# BLOCKS @ \$1.4325; BIDS UNFILLED: 1 CAR BARRELS @ \$1.4300; 2 CARS 40# BLOCKS @ \$1.4600; OFFERS UNCOVERED: NONE

BUTTER — SALES: 6 CARS GRADE AA @ \$1.3300; BIDS UNFILLED: 1 CAR GRADE AA @ \$1.3300; OFFERS UNCOVERED: 1 CAR GRADE AA @ \$1.3575

TUESDAY, DECEMBER 20, 2005

CHEESE — SALES: 1 CAR 40# BLOCKS @ \$1.4600; BIDS UNFILLED: 1 CAR 40# BLOCKS @ \$1.4600; OFFERS UNCOVERED: NONE

WEDNESDAY, DECEMBER 21, 2005

CHEESE — SALES: 1 CAR BARRELS @ \$1.4200; 3 CARS 40# BLOCKS @ \$1.4600; BIDS UNFILLED: 3 CARS 40# BLOCKS: 1 @ \$1.4600, 2 @ \$1.3700; OFFERS UNCOVERED: NONE

BUTTER — SALES: 5 CARS GRADE AA: 2 @ \$1.3300, 1 @ \$1.3350, 1 @ \$1.3300, 1 @ \$1.3350; BIDS UNFILLED: 7 CARS GRADE AA: 1 @ \$1.3350, 2 @ \$1.3300, 2 @ \$1.3200, 1 @ \$1.3100, 1 @ \$1.3000; OFFERS UNCOVERED: 2 CARS GRADE AA @ \$1.3450

THURSDAY, DECEMBER 22, 2005

CHEESE — SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 2 CARS 40# BLOCKS: 1 @ \$1.4525, 1 @ \$1.4600

FRIDAY, DECEMBER 23, 2005

CHEESE — SALES: 2 CARS 40# BLOCKS: 1 @ \$1.4400, 1 @ \$1.4300; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 1 CAR BARRELS @ \$1.4000; 2 CARS 40# BLOCKS: 1 @ \$1.4300, 1 @ \$1.4600

BUTTER — SALES: 8 CARS GRADE AA: 1 @ \$1.3300, 1 @ \$1.3400, 1 @ \$1.3450, 1 @ \$1.3325, 1 @ \$1.3400, 1 @ \$1.3375, 1 @ \$1.3350, 1 @ \$1.3325; BIDS UNFILLED: 7 CARS GRADE AA: 1 @ \$1.3350, 2 @ \$1.3325, 2 @ \$1.3300, 2 @ \$1.3000; OFFERS UNCOVERED: 1 CAR GRADE AA @ \$1.3600

CME CASH NONFAT DRY MILK: Extra Grade closed the week at \$0.9800 and Grade A at \$0.9950. (The last price change for Extra Grade occurred December 14 and the last price change for Grade A occurred October 24.) The weekly average for Extra Grade is \$0.9800 (+.0070) and Grade A is \$0.9950 (N.C).

BUTTER MARKETS**NOVEMBER COLD STORAGE**

According to NASS, November month-ending cold storage figures for butter total 61.3 million pounds, 7.2% more than last November but 37.5% less than October 2005.

NORTHEAST

The butter market remains weak. The CME cash price for butter is \$1.33, the lowest price since December 2003. Churning activity in the Northeast has been light to moderate, but producers report that they are preparing for a very busy holiday period. Cream and milk volumes are expected to reach burdensome levels and processing capacity will be tested. Demand for packaged butter is slower as most retailers have ordered volumes "in-house." Food service orders continue to increase and are expected to hold up through and into the New Year. Demand for bulk remains lackluster. Retail feature activity is ebbing as most of the "baking season" sales have been made. Sales of bulk butter f.o.b. East, are reported in a range from flat market to 3.0 cents over the CME price/average.

CENTRAL

The cash butter price dipped to \$1.3300 early in the week, but increased slightly to \$1.3350 at midweek. Although the cash price inched slightly higher, producers and handlers state that the market tone remains weak. Most butter producers anticipate heavy cream offerings over the upcoming holiday period. At midweek, cream multiples were in the 118 – 121 delivered range with most butter producers anticipating lower multiples during the holidays. Most butter operations will be

in full production during this holiday period, but one operation will be down a few days, which could further back up cream volumes. Stocks of butter are sufficient for current needs, but as has been the case in recent weeks, lack of desired packaging is limiting some sales. Some last minute fill-in orders are being reported, but for the most part, year-end holiday needs have been met. Some scattered retail feature activity has been reported. One Wisconsin promotion offered 2,1 pound prints, for \$3.00. Food service orders have been strong but have also dropped off. Bulk butter for spot sale is being reported in the flat – 2 cents per pound over various pricing basis.

WEST

Cash butter prices at the CME have declined to the lowest price since December 2003, settling at \$1.3350 at mid-week. Contacts are not surprised by this weakness with the current supplies of butter available. Cream offerings are heavy and will increase for the next two weeks. Most of this surplus cream will enter the churns. Holiday ordering is finished and orders will be light until stock levels are reviewed after the holidays. Quota imports of butter for the first eleven months of the year total 13.9 million pounds, 91% of the annual quota. Imports of High-Tier butter (above quota and with a penalty) are only 900,000 pounds compared to more than 18 million pounds at the same time last year. Weekly inventory levels at the CME last week declined 1.3 million pounds, to stand at 27.7 million pounds. Last year for this week, stocks totaled 8.7 million pounds, the low point for the year. According to the Cold Storage report, U.S. butter stocks at the end of November total 61.3 million pounds. Stocks declined 37% or 36.8 million pounds during the month of November, about average for this time period. Stocks are 4.1 million pounds ahead of last year. Bulk butter prices range from 2 cents under to 5 1/2 cents under based on the CME with various time frames and averages.

NASS DAIRY PRODUCT PRICES**U.S. AVERAGES AND TOTAL POUNDS**

WEEK ENDING	CHEESE		NDM	BUTTER	DRY WHEY
	40# BLOCKS	38% MOISTURE BARRELS			
DECEMBER 17	1.3959	1.3916	1.0046	1.3698	0.3256
	8,036,794	9,469,277	15,927,111	6,219,268	10,406,236

Further data and revisions may be found on the internet at: <http://jan.mannlib.cornell.edu/reports/nassr/price/dairy>

CHEESE MARKETS

NORTHEAST

The market tone is still unsettled as the CME cash prices have been and continue to bounce higher and lower. For some contacts, it is difficult to find a pattern, but as we near the holidays, most do expect more milk to be available to cheese makers. In the Northeast, contacts are expecting burdensome milk volumes this holiday season. Demand for cheese is slowing as most holiday needs have been delivered. However, if typical patterns are followed, cheese sales will remain fairly brisk through January and early February. Currently, cheese output in the Northeast is moderate to heavy. Retail sale are fair to good and food service orders are seasonally very good.

WHOLESALE SELLING PRICES: DELIVERED,
DOLLARS PER POUND (1000 - 5000 POUNDS MIXED LOTS)

Cheddar 10# Prints	:	1.5125-2.0325
Cheddar Single Daisies	:	1.4700-1.9450
Cheddar 40# Block	:	1.5700-1.8425
Process 5# Loaf	:	1.6075-1.8475
Process 5# Sliced	:	1.6275-1.8550
Muenster	:	1.5850-1.7850
Grade A Swiss Cuts 10 - 14#	:	2.4500-2.6500

MIDWEST

The cheese market is firm on the cash CME market, though with an unsettled to weak undertone. Traders are at a loss to explain why current prices are as high as they are (\$1.46 per pound for blocks) except for year-end inventory positioning. Most cutting and processing plants will only operate 3 - 4 days next week between the holiday observance and time spent on year-end inventory projects. Some spot interest is noted for a few fill in loads of various varieties for immediate cutting and also product for January delivery. Most expect the phone next week to be quiet, between vacations and waiting for holiday movement results. Process interest is typically slow to fair seasonally. Holiday surplus milk volumes are increasing with large volumes offered and/or booked into cheese plants into early 2006, often at sharp discounts. Some plant operators are again shifting the mix of products produced to the longer shelf life types, especially where the production is not committed to a customer. Cheese yields remain seasonally good.

WISCONSIN WHOLESALE SELLING PRICES: DELIVERED,
DOLLARS PER POUND (1000 - 5000 POUNDS MIXED LOTS)

Process American 5# Loaf	:	1.6450-1.8900
Brick And/Or Muenster 5#	:	1.8800-1.9775
Cheddar 40# Block	:	1.7700-2.2650
Monterey Jack 10#	:	1.9200-2.2650
Blue 5#	:	2.2725-2.5700
Mozzarella 5 - 6# (Low Moisture, Part Skim)	:	1.6075-2.3650
Grade A Swiss Cuts 6 - 9#	:	2.4300-2.8900

WEEKLY COLD STORAGE HOLDINGS-SELECTED STORAGE CENTERS
IN THOUSAND POUNDS - INCLUDING GOVERNMENT STOCKS

BUTTER : CHEESE

	:	
12/19/05	23,164	: 129,371
12/01/05	25,924	: 130,277
CHANGE	-2,760	: -906
% CHANGE	-11	: -1

WEST

Block cheese prices at the CME moved 3 cents higher this week after a mixed bag last week. Most Western contacts were surprised at this amount of strength during the week before Christmas. Stocks are not that tight and orders are not that fantastic. Production levels have been heavy and they are expected to increase over the next two weeks. Quota imports of cheese for the first eleven months of the year total 241.8 million pounds, slightly behind the same period last year and 81% of the annual quota. Imports of High-Tier cheese (above quota and with a penalty) total 23.3 million pounds for the period, less than half of the amount imported last year. According to the *Cold Storage* report for the end of November, U.S. stocks of American cheese total 509.2 million pounds. The six year average for this date has been about 470 million pounds. Stocks are up 6% or 28.0 million pounds from last year. Stocks are down 5% from the revised end of October figure. U.S. Swiss stocks at the end of November are 25.0 million pounds, down 4% from last year.

WHOLESALE SELLING PRICES: DELIVERED, DOLLARS PER POUND
(1000 - 5000 POUNDS MIXED LOTS)

Process 5# Loaf	:	1.5450-1.8025
Cheddar 40# Block	:	1.5500-1.9025
Cheddar 10# Cuts	:	1.7300-1.9500
Monterey Jack 10#	:	1.7400-1.9000
Grade A Swiss Cuts 6 - 9#	:	2.2500-2.7000

FOREIGN

Prices range from mostly unchanged to fractionally higher. The market tone is seasonally firm as the holiday season typically marks a period of very good sales for imported and foreign type cheeses. Distributors are fairly active making last minute deliveries and many will be quite active this week to compensate for the next two, holiday-shortened work weeks. Reports indicate that cheese output in the EU-25 during the first eight months of the year total 5.13 million tons, 1.7% more than the same period in 2004.

WHOLESALE SELLING PRICES: FOB DISTRIBUTORS DOCK
DOLLARS PER POUND (1000 - 5000 POUNDS, MIXED LOTS)

VARIETY	NEW YORK	
	IMPORTED	DOMESTIC
	:	:
Roquefort	: TFEWR	: -0-
Blue	: 2.6400-4.6300	: 1.8250-3.3150*
Gorgonzola	: 3.6900-5.9400	: 2.3350-2.4900*
Parmesan (Italy)	: TFEWR	: 3.2400-3.3450*
Romano (Italy)	: 2.1000-3.1900	: -0-
Provolone (Italy)	: 3.4400-6.0900	: 1.8250-2.0625*
Romano (Cows Milk)	: -0-	: 3.0225-5.1650*
Sardo Romano (Argentina)	: 2.8500-3.2900	: -0-
Reggianito (Argentina)	: 2.6900-3.2900	: -0-
Jarlsberg-(Brand)	: 3.1200-4.1500	: -0-
Swiss Cuts Switzerland	: -0-	: 2.4500-2.6500
Swiss Cuts Finnish	: 2.5900-2.8500	: -0-
Swiss Cuts Austrian	: TFEWR	: -0-
Edam	:	:
2 Pound	: TFEWR	: -0-
4 Pound	: 2.1900-3.5600	: -0-
Gouda, Large	: TFEWR	: -0-
Gouda, Baby (\$/Dozen)	:	:
10 Ounce	: 27.8000-31.7000	: -0-

* = Price change.

FLUID MILK AND CREAM

EAST

Spot shipments of Grade A milk into or out of Florida and other Southeastern states

	THIS WEEK		LAST WEEK		LAST YEAR	
	IN	OUT	IN	OUT	IN	OUT
FLORIDA	0	0	104	0	40	110
SOUTHEAST STATES	0	0	24	0	0	0

November milk production in the 23 major states totaled 13.0 billion pounds, up 4.6% from November 2004. The following are the November-to-November changes for selected states: Texas +12.2%, New York +4.8%, Pennsylvania +4.4%, Virginia +3.6%, Vermont +1.5%, Florida -3.5%, and Kentucky -5.4%. As we enter another holiday season, contacts are commenting on the lower cream multiples, increased hauling costs, the lack of trucks and truckers, the high cost of fuel oil and natural gas, and the loss of local/Northeastern plant capacity. These all combine to force more fluid milk and cream to be shipped greater distances. One contact aptly proclaimed that "we are starting our holiday rush to red ink." The above noted plant capacity loss is almost a double edged sword; not only are there fewer plants to process the milk, but the silos at those plants are unavailable for temporary storage. Milk production is mostly steady in the more northern areas while slowly starting to increase throughout the Southeast. Florida's milk needs dropped sharply as handlers prepared sufficiently for this week's needs. Manufacturing plants in other Southeastern states are already full and more milk is expected as we move through the holiday season. Some loads were sent out of region, but those numbers were not available at the time of this report. Manufacturing plants in the Northeast are busy, but so far, not as busy as anticipated. Schools in most areas are on recess or will soon be. Bottled milk sales are slower in many areas, but as slight increases in retail orders are helping offset the loss of school lunch sales. The condensed skim market is generally unchanged, but as a precaution, a few loads were moved to Class IV outlets at discounted prices to "free up" plant capacity should it be needed. The fluid cream market is weak. Offerings are termed as excessive and Class II demand is slowing along typical patterns. Class II prices have often been lowered to stimulate continued usage, but more cream is moving into butter production. Local butter makers are fairly well booked up and more loads are moving to the Midwest at multiples that generally return flat market, day of shipment. Spot prices are lower as the CME butter prices continues to fall and multiples move lower in response to demand. Some of the higher prices were loads booked last week and delivered early this week. Production of egg nog, bottled cream, dips, and sour cream are slowing along seasonal patterns. Ice cream output is slowing as many operations are expected to be down for the holidays. Others will run, though on limited schedules.

FLUID CREAM AND CONDENSED SKIM PRICES IN TANKLOT QUANTITIES

SPOT PRICES OF CLASS II CREAM, \$ PER LB BUTTERFAT

F.O.B. PRODUCING PLANTS: NORTHEAST	-	1.5980-1.8165
DELIVERED EQUIVALENT ATLANTA	-	1.6116-1.8438 M 1.6390-1.7482
F.O.B. PRODUCING PLANTS: UPPER MIDWEST	-	1.5707-1.7209

PRICES OF CONDENSED SKIM, \$ PER LB SOLIDS

F.O.B. PRODUCING PLANTS:	
NORTHEAST- CLASS II - INCLUDES MONTHLY FORMULA PRICES	- 1.0200-1.0900
NORTHEAST- CLASS III - SPOT PRICES	- 1.0500-1.1200

MIDWEST

Class I demand was steady to just slightly lower early in the week, but overall volumes were declining already at midweek. Schools are closing from around midweek on and will remain closed at least until January 2. This will cause additional fluid volumes to back up into manufacturing plants. With colleges also closed, many other institutional sales will also generally be lower. While the holidays fall on about the best scenario for milk handlers, surplus milk volumes are expected to be heavy and sharp discounts are noted on volumes booked and offered. Reported spot manufacturing milk prices range from a low of -\$3.00 class to around flat class delivered, generally around -\$1.00 to -\$1.50. Many handlers have been working for weeks setting up deals with plant operators to clear surplus diversions at yearend. Manufacturing plants are expected to operate at least as long as desired. Handlers and manufacturing plant operators hope that any production interruptions will be minimal. A large upper Midwest churn will be closed a day or so this weekend, causing additional cream volumes to back up or increase the volume stored in "rolling storage units." Ice cream manufacturers will be down at least a day each week for the next two weeks with some closed until 2006. Current milk intakes are steady to occasionally just slightly higher. Fat

and protein levels remain at high seasonal levels. Initial November milk production in selected Midwestern states compared with 2004 is: Wisconsin, 1.84 billion pounds, up 88 million pounds (5.0%); Minnesota, 650 million pounds, an increase of 11 million pounds (1.7%); Michigan, 541 million pounds, 33 million pounds up (6.5%); Texas, 523 million pounds, up 57 million pounds (12.2%); Iowa, 303 million pounds, down 3 million pounds (-1.0%); and Indiana, 259 million pounds, up 22 million pounds (9.3%).

WISCONSIN LIVESTOCK AUCTIONS (PER CWT.)

	DEC 15 - 21	PREVIOUS YEAR
SLAUGHTER COWS	\$ 46.50- 53.00	\$ 46.00- 52.00
REPLACEMENT HEIFER CALVES	\$400.00-750.00	\$290.00-460.00

SOUTH ST. PAUL TERMINAL AUCTION MARKET (PER CWT.)

	DEC 15 - 21	PREVIOUS YEAR
SLAUGHTER COWS	\$ 46.00- 55.00	\$ 45.00- 54.50

WEST

Milk output in November according to the NASS *Milk Production* report totals 12.98 billion pounds for the 23 States surveyed. This total is 4.6% higher than last year. The simple average increase for the last seven months is 4.6%. Cow numbers are up 60,000 head or 0.7% from last year. Production per cow for the surveyed states is up 3.9% from last year. This figure has been higher than 3% for the last seven months. Output for selected Western states compared to last year is as follows: Arizona no change, California up 3.1%, Colorado +6.6%, Idaho +12.3%, New Mexico +12.2%, Oregon +0.6%, and Washington +3.5%. CALIFORNIA milk supplies are steady to higher at levels above last year. Northern milk producers are calling milk output steady with only slight weekly fluctuations. The weather has been very good across the Central Valley. Some areas noted record high December temperatures. Milk is steady to higher from recent weeks. Southern milk output is steady. Gains are noted within herds, but declines in cow numbers are diluting total milk available in the area. Processing plants in the state are preparing for the usual handling of milk over the year end holiday period. Plants should be "snug" but are expected to be able to process milk supplies barring any "issues." There may be some rough days. Trucks and tankers are available, but higher shipping rates and fuel surcharges will add costs to moving milk. Bottling plants have seen orders slow sharply as colleges and schools recess for various lengths of winter/holiday breaks. Smaller processing plants were gearing down to prepare for days off around the holidays. This extra milk will add to holiday issues. Milk production in NEW MEXICO is mostly steady to incrementally higher. Ice and sleet early this week in the north disrupted milk movements, but conditions improved quickly. Milk shipments to Florida and the Southeast have slowed or stopped. This follows trends of recent years and was expected. Bottled milk orders are down. Milk is able to be processed locally, especially with new plant capacity this year. Processors expect limited issues handling milk over the holidays. Western CREAM prices continue to decline. Lower basing points and lower multiples are common over the region. Cream supplies are higher and more loads are being processed at churns. Several ice cream plants are down over the holidays and other cream based products are having lower demand. The CME butter price was down 3.5 cents from last week and closed on 12/21 at \$1.3350. Cream multiples range from 104 to 120, FOB, and vary depending on class usage and basing point. Distressed loads in the next few weeks are even lower. A fairly warm storm front has moved into the PACIFIC NORTHWEST. Heavy rains are noted with the snow line quite high. Feed lots remain wet and muddy with more mastitis noted. Some concern is noted about milk shipments over the holiday weekend because of adverse weather conditions. Plant capacity will be sufficient if trucks are able to run efficiently. Most contacts seem to think that the milk production cycle in the region is near the annual low point and is poised to move higher shortly. Producers are beginning to get a handle on how to balance rations for optimum output with the feed quality available this year. It has taken longer than normal, but progress is being made. Milk supplies are coming up seasonally in UTAH and IDAHO. Temperatures have moderated with more moisture in the forecast. Icing has been a problem at lower elevations which has caused some temporary trucking problems. Feed lots are wet and causing some additional concern. Plants indicate that they should be able to handle the additional surplus milk over the holidays with minimal problems. Heifer prices in the region have strengthened further with the top end ranging from \$24-2600 and the average from \$2095-2440. Demand is aggressive. Reports indicate that most of the old crop hay in the region has been sold, but may not have been delivered yet. The carryover into the new crop year is expected to be minimal at best.

NDM, BUTTERMILK & WHOLE MILK

Prices represent carlot/trucklot quantities for domestic and export sales packaged in 25 kg. or 50 lb. bags, or totes, spray process, dollars per pound.

NONFAT DRY MILK - CENTRAL AND EAST

CENTRAL: Prices are unchanged to higher on a mostly steady market. As the holidays approach, less milk is being cleared into bottling facilities and increased milk intakes are noted at manufacturing facilities. As a result, more condensed skim is available to end-users and dryers. Production of low heat NDM is increasing whereas high heat NDM production remains light. High heat supplies are short of buyer interest but generally in balance with contractual demand. Central region producers are anticipating that prices will remain steady into the New Year. Brokers are expecting increased supply availability from the coastal areas to affect the pricing of NDM throughout the U.S. Spot trade activity is light with trade mostly noted via resellers or Western manufacturers.

EAST: Prices are steady to higher as no discounted loads were noted this week. Also, the NASS price series (the basis for most NDM sales) increased to \$.9995 last week. Energy surcharges are more common and pushing prices higher. The market tone is mostly steady in the East. Drying levels are increasing as expected during the holiday season, but some contacts feel that the surplus milk volumes are not as heavy as they had expected. However, as precautionary move, some dryers have sold Class IV condensed skim to help ease the pressure on equipment and personnel. Surplus milk volumes may grow as we move through the holidays, but currently, there is adequate capacity. Demand is fair to good, but market activity is light, which is typical for this time of year. Producer stocks are moderate.

F.O.B. CENTRAL/EAST: Includes EXTRA GRADE and GRADE A
 LOW/MEDIUMHEAT: 1.0200 - 1.1050 MOSTLY: 1.0375 - 1.0650
 HIGHHEAT: 1.0800 - 1.1350

NONFAT DRY MILK - WEST

The nonfat dry milk market in the West remains unsettled. Prices in the range are slightly higher and reflect changes in basing points. However, the trade reports offering prices being discounted off basing points for current sales, future sales, export sales, and domestic sales. The discounts could be in many forms: flat pricing, dropping overages or dropping surcharges. The end of year holiday period was expected to generate additional product at the same time as a normal drop in demand. The debate is whether current product availability and pricing opportunities will continue in the first quarter 2006. The year of 2005 was an excellent exporting year and there were no sales of NDM to the support program. Drying activity is increasing at plants in the region. Stocks are wide ranging from light to moderate levels. Recent sales have helped out producers who were seeking to clear inventories ahead of the year end. From January to October 2005, exports of NDM/SMP totaled 245,205 MT (540.6 million pounds), compared to 170,696 MT (376.3 million pounds) in the same period in 2004, an increase of 44%. During October 2005, exports totaled 38.5 million pounds.

F.O.B. WEST: Includes EXTRA GRADE and GRADE A
 LOW/MEDIUMHEAT: .9200 - 1.0350 MOSTLY: .9500 - 1.0325
 HIGHHEAT: 1.0100 - 1.0700

CALIFORNIA MANUFACTURING PLANTS - NDM

WEEK ENDING	PRICE	TOTAL SALES	SALES TO CCC
December 16	\$.9961	8,515,964	0
December 9	\$.9822	11,929,051	0

Prices are weighted averages for Extra Grade and Grade A Nonfat Dry Milk, f.o.b. California manufacturing plants. Prices for both periods were influenced by effects of long-term contract sales. Total sales (pounds) include sales to CCC. Compiled by Dairy Marketing Branch, California Department of Food and Agriculture.

DRY BUTTERMILK - CENTRAL

Prices are lower on a weak market. Increased cream intake at churns is resulting in higher production of dry buttermilk. Higher output is expected to continue throughout the holidays. Demand is fair at best with a few producers able to clear loads at a discount to the market. Traders anticipate the market to remain lackluster until after the New Year.

F.O.B. CENTRAL: .8600 - .9325

DRY BUTTERMILK - NORTHEAST AND SOUTHEAST

Prices are often lower as stocks build. Producers are trying to clear existing inventories plus there is lower-priced competition from other regions of the country. Some of the lower prices are accompanied by a proviso that the powder be picked up before the end of the year. The market tone is showing more signs of weakness. Production levels are steady to heavier as churning activity is on the rise and sales of condensed buttermilk slow. The Northeast prices remain nominal. Demand is fair.

F.O.B. NORTHEAST: .9300 - 1.0050
 DELVDSOUTHEAST: .9600 - 1.0500

DRY BUTTERMILK - WEST

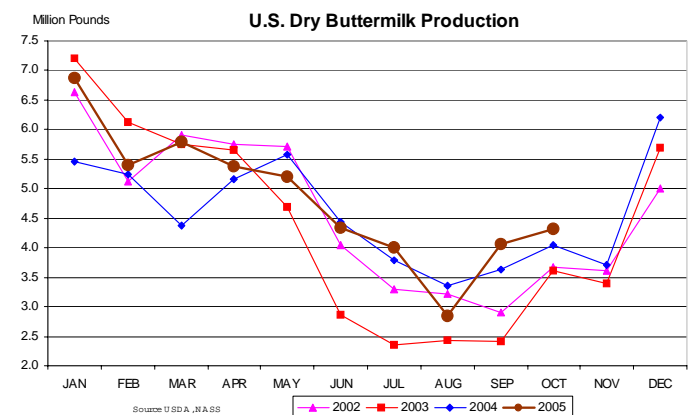
Dry buttermilk prices are lower in the West. Trading activity is very light ahead of the year end. Sales have slowed as buyers have nearby needs met. Any exporting seems to have ceased for the year. Drying schedules have increased and reflect higher churning activity, which will likely continue for several weeks. Inventories are moderate and will build in the short term.

F.O.B. WEST: .9000 - .9650 MOSTLY: .9000 - .9200

DRY WHOLE MILK - NATIONAL

Prices are unchanged to higher and nominal. Production levels are light as more produces will be making NDM this holiday season in order to clear their milk more efficiently. Direct spot sales are light and demand is steady.

F.O.B. PRODUCING PLANT: 1.2975 - 1.3700



WHEY, CASEIN & EVAPORATED MILK

Prices represent carlot/trucklot quantities for domestic and export sales packaged in 25 kg. or 50 lb. bags, or totes, spray process, dollars per pound.

DRY WHEY – CENTRAL

Prices are higher on Extra Grade whey and unchanged on feed whey. The market tone remains firm. Increased supply availability is noted in the trade, encouraging spot sale activity. Premiums and fuel surcharges vary depending on whether the manufacturer trade is direct to an end-user or via a broker. Some traders are opting to pick-up a few loads before the year-end in anticipation of potential trades in the first quarter. The undertone is firm for the first quarter yet highly dependent on persistent export interest. Production is mostly steady with higher seasonal output anticipated during the holidays. Offerings of feed grade whey are limited for the good interest.

F.O.B. CENTRAL: .3200 - .3500 MOSTLY: .3200 - .3350
F.O.B. CENTRAL: ANIMAL FEED MILK REPLACER: .3000 - .3275

DRY WHEY - NORTHEAST AND SOUTHEAST

Prices are unchanged and the Northeastern prices remain nominal. The market tone is steady and typical for this time of year. Some users do try to keep their stocks low at the end of the year, while others continue to take their contracted volumes. Spot market activity, direct from the producer, remains light. Most producers continue to report being in a sold out position. Those spot offers that are available, do clear easily at normal premiums. Energy surcharges are still a topic of discussion. Production levels are steady to higher as most Eastern cheese producers are seeing increased volumes of surplus milk. Some plants are at capacity while others do have room to increase output, if they desire. Contracting for 2006 dry whey needs is still ongoing, but nearly complete. Demand is holding at fairly good levels. Spot demand is good and often filled in the resale side of the market.

F.O.B. NORTHEAST: EXTRA GRADE AND GRADE A: .3300 - .3475
DELVD SOUTHEAST: .3450 - .3700

DRY WHEY - WEST

Prices continue to move higher for Western whey powder. No sale slow down related to holiday issues is noted. Any offerings are selling and shipping in a timely fashion. The market continues to have a firm undertone with little competition from foreign sources. The other dairy commodities that might serve as substitutes for whey are also in very tight supply with prices firm. Whey exports for the first ten months of the year total 355.1 million pounds, up 23.9% from the same period in 2004. Exports account for 41% of total dry whey production in the U.S. The dominant markets that whey is moving to and their volumes are as follows: China 95.1 million pounds, Japan 45.6 million pounds, Canada 39.6 million pounds, Korea 37.5 million pounds, and Thailand 27.7 million pounds.

NONHYGROSCOPIC: .3150 - .3600 MOSTLY: .3375 - .3500

EVAPORATED MILK - NATIONAL

Prices and the market tone are unchanged. Production levels are increasing as more surplus milk is available to producers. Some of the holiday milk is attractively priced. Demand has slowed as seasonal demand is waning. Producer stocks are at their annual low point and most of the output during the holidays typically goes toward replenishing inventories. The market does remain highly competitive, particularly when new contracts are "on the line."

DOLLARS PER 48 - 12 FLUID OUNCE CANS PER CASE DELIVERED MAJOR U.S. CITIES \$19.50 - 30.00

Excluding promotional and other sales allowances. Included new price announcements.

WHEY PROTEIN CONCENTRATE - CENTRAL AND WEST

Prices are unchanged to lower on a weak market. Supplies are mixed with some manufacturers reporting tight supplies whereas others have some stocks to clear. Resellers holding stocks from earlier in the year are opting to sell their loads at prices near the lower end of the range. Grade A supplies are short of buyer interest and trading at a premium. Production is steady. WPC 80% remains competitive with WPC 34% Extra Grade for the fair feed interest. During the period of January – October 2005, WPC 34% exports increased 23.62% whereas WPC 80% exports decreased 17.33% compared to the same period in 2004.

Export quantities and percentage changes for the dominant 34% WPC markets include: Mexico 19,951,710 lbs (+38.28%), China 10,623,941 lbs (+388.73%), Canada 7,206,419 lbs (+12.04%), Japan 5,349,990 lbs (-55.22%), and Republic of Korea 4,426,734 lbs (+145.00%), and Brazil 4,415,053 lbs (1272.05). Export quantities and percentage changes for the dominant 80% WPC markets include: Canada 4,646,914 lbs (-10.74%), Mexico 3,894,909 lbs (+80.75%), Japan 1,374,414 lbs (+11.92%), and China 1,340,032 lbs (-51.93).

F.O.B. EXTRA GRADE 34% PROTEIN: .8000 - .8450 MOSTLY: .8050 - .8250

LACTOSE - CENTRAL AND WEST

Prices remain unchanged on a firm market. Trade is light on a spot basis. Contracts for first quarter continue to be finalized. Supplies of 100 mesh are predominantly trading near the high side of the range for first quarter. Lower mesh size prices vary depending on the plant and plant location yet in general, contract prices are trending higher. Production is mostly steady. Feed grade supplies are available at some locations and trading near the average for the good interest. During the period of January – October 2005, lactose exports increased 33.76% compared to the same period in 2004. Export quantities and percentage changes for the dominant markets include: Japan 45,966,624 lbs (+17.58%), Mexico 20,697,544 lbs (+24.63%), China 20,039,209 lbs (+105.26%), Vietnam 10,683,449 lbs (+39.82%) and Thailand 7,394,640 lbs (+325.77%). Exports accounted for 24.86% of production during the January – October 2005 period. This compares to 18.60% for the same time period in 2004.

Including spot sales and up to 3 month contracts. Mesh size 30 - 100.

F.O.B. EDIBLE: .2000 - .2500 MOSTLY: .2050 - .2350

CASEIN – NATIONAL

Casein markets and prices are holding steady as the end of the quarter nears. The market undertone is weak. U.S. buyers indicate that they are able to secure their needs with minimal problems. The Oceania stock situation remains unclear while European supplies appear to be in better balance with demand. The milk production season in Oceania, especially New Zealand, did not attain anticipated peak levels, thus milk volumes have been declining from a lower level than projected. With casein production the last manufactured product to come on line as production increases, so is casein the first product to discontinue production on the down side of the season. At this point, casein output is still occurring, but not at desired levels. European supplies are clearing from inventoried stocks produced earlier in the year.

SPOT SALES AND UP TO 3 MONTH CONTRACTS. PRICES ARE F.O.B., U.S. WAREHOUSE FOR EDIBLE NONRESTRICTED AND VARY ACCORDING TO MESH SIZE AND QUALITY.

RENNET: 3.2000 - 3.3500
ACID: 3.2000 - 3.3000

EVAPORATED MILK - NATIONAL -see adjacent column

CHICAGO MERCANTILE EXCHANGE FUTURES

Selected settling prices, (open interest), and volume 1/

Month	12/07	12/08	12/09	12/12	12/13	12/14	12/15	12/16	12/19	12/20
CME - (CLASS III) MILK FUTURES -- Dollars per cwt										
DEC 05	13.39 (2171) 37	13.44 (2160) 18	13.44 (2153) 0	13.38 (2149) 18	13.42 (2150) 31	13.44 (2150) 17	13.43 (2144) 10	13.40 (2129) 30	13.41 (2120) 1	13.41 (2131) 5
JAN 06	13.02 (2036) 100	13.14 (2086) 166	13.09 (2112) 106	12.96 (2105) 114	13.00 (2146) 113	13.04 (2195) 146	13.18 (2182) 161	13.15 (2273) 210	13.53 (2293) 288	13.48 (2316) 260
FEB 06	12.63 (1762) 34	12.71 (1810) 91	12.68 (1842) 78	12.56 (1879) 107	12.55 (1859) 57	12.54 (1878) 62	12.60 (1880) 22	12.67 (1897) 80	12.96 (1927) 212	12.79 (1993) 286
MAR 06	12.55 (1641) 22	12.61 (1656) 49	12.59 (1686) 57	12.53 (1720) 56	12.51 (1728) 47	12.51 (1740) 18	12.60 (1758) 30	12.63 (1784) 65	12.78 (1792) 83	12.70 (1844) 201
APR 06	12.50 (1561) 25	12.52 (1578) 36	12.53 (1586) 18	12.51 (1622) 39	12.50 (1630) 30	12.51 (1644) 36	12.53 (1664) 43	12.55 (1671) 42	12.59 (1686) 31	12.59 (1709) 47
MAY 06	12.50 (1562) 28	12.51 (1575) 36	12.51 (1580) 11	12.50 (1611) 38	12.50 (1615) 33	12.51 (1622) 22	12.54 (1626) 20	12.55 (1626) 33	12.59 (1632) 31	12.57 (1643) 44
JUN 06	12.63 (1423) 23	12.67 (1454) 43	12.67 (1456) 7	12.66 (1459) 37	12.67 (1470) 25	12.67 (1491) 36	12.68 (1502) 29	12.68 (1517) 42	12.72 (1533) 26	12.72 (1561) 43
JUL 06	13.18 (1138) 16	13.20 (1163) 47	13.20 (1165) 6	13.18 (1185) 27	13.18 (1185) 25	13.18 (1197) 15	13.18 (1191) 19	13.16 (1194) 29	13.14 (1198) 15	13.15 (1212) 19
AUG 06	13.44 (1113) 15	13.49 (1135) 41	13.49 (1140) 6	13.45 (1162) 26	13.43 (1163) 33	13.41 (1177) 20	13.43 (1185) 16	13.41 (1192) 31	13.38 (1195) 14	13.40 (1201) 14
SEP 06	13.66 (1149) 17	13.70 (1171) 39	13.70 (1173) 7	13.65 (1194) 27	13.67 (1199) 28	13.65 (1214) 18	13.65 (1227) 18	13.62 (1236) 31	13.59 (1242) 15	13.60 (1250) 19
OCT 06	13.20 (1098) 13	13.23 (1127) 35	13.20 (1129) 8	13.20 (1135) 26	13.19 (1148) 32	13.20 (1181) 35	13.20 (1183) 5	13.18 (1208) 34	13.16 (1215) 16	13.16 (1225) 17
NOV 06	12.90 (1061) 13	12.94 (1092) 38	12.92 (1095) 7	12.90 (1107) 27	12.88 (1129) 48	12.88 (1133) 6	12.88 (1134) 5	12.87 (1160) 37	12.85 (1167) 14	12.85 (1177) 15
DEC 06	12.81 (1117) 16	12.84 (1130) 35	12.82 (1135) 10	12.80 (1161) 28	12.79 (1155) 27	12.79 (1161) 4	12.77 (1161) 5	12.76 (1168) 39	12.74 (1179) 19	12.74 (1188) 15
JAN 07	12.51 (90) 3	12.51 (90) 0	12.51 (90) 0	12.51 (90) 0	12.51 (94) 17	12.49 (96) 3	12.50 (96) 0	12.51 (96) 2	12.51 (96) 0	12.51 (97) 8
FEB 07	12.33 (83) 1	12.33 (83) 0	12.33 (83) 0	12.33 (83) 0	12.33 (93) 20	12.30 (94) 1	12.30 (94) 0	12.30 (94) 0	12.30 (94) 0	12.30 (95) 1
MAR 07	12.36 (75) 2	12.36 (75) 0	12.36 (75) 0	12.40 (76) 5	12.40 (89) 13	12.40 (89) 2	12.40 (89) 0	12.40 (89) 0	12.40 (89) 0	12.40 (90) 1
APR 07	12.50 (39) 1	12.50 (39) 0	12.48 (40) 1	12.48 (40) 0	12.48 (40) 3	12.48 (41) 1	12.50 (41) 0	12.50 (41) 0	12.50 (41) 0	12.50 (42) 1
MAY 07	12.58 (44) 1	12.58 (44) 0	12.58 (49) 6	12.60 (49) 3	12.60 (49) 12	12.60 (49) 0	12.60 (49) 0	12.58 (49) 0	12.58 (49) 0	12.60 (50) 1
JUN 07	12.70 (23) 1	12.70 (23) 0	12.70 (23) 0	12.75 (29) 6	12.75 (33) 4	12.75 (33) 0	12.75 (33) 0	12.75 (33) 0	12.75 (33) 0	12.75 (42) 9
CME - (CLASS IV) MILK FUTURES -- Dollars per cwt.										
DEC 05	12.80 (4) 0	12.80 (4) 0	12.80 (4) 0	12.80 (4) 0	12.80 (4) 0	12.80 (4) 0	12.80 (4) 0	12.80 (4) 0	12.80 (4) 0	12.80 (4) 0
CME - BUTTER FUTURES -- Cents per pound										
DEC 05	135.25 (79) 2	136.00 (78) 5	135.00 (73) 11	135.75 (49) 4	135.50 (50) 4	135.50 (24) 0	135.50 (11) 0	135.25 (10) 1	133.00 (8) 2	133.00 (8) 0
MAR 06	143.00 (166) 2	143.50 (165) 5	143.00 (165) 6	142.50 (163) 2	142.00 (166) 8	141.50 (166) 1	141.50 (172) 7	141.00 (174) 4	137.75 (173) 5	138.00 (173) 1
MAY 06	144.50 (129) 8	144.50 (129) 0	144.50 (129) 0	144.50 (129) 4	144.25 (128) 7	144.00 (128) 1	143.75 (131) 3	143.00 (132) 8	140.00 (131) 1	140.00 (131) 2
JUL 06	145.50 (143) 3	145.50 (143) 0	145.00 (143) 1	145.00 (143) 0	145.00 (142) 1	144.50 (142) 3	144.50 (142) 0	144.50 (142) 0	143.50 (146) 11	143.00 (146) 2
SEP 06	147.75 (78) 0	147.75 (78) 0	147.50 (77) 1	147.50 (77) 0	147.50 (77) 0	147.50 (77) 0	147.50 (77) 0	147.50 (77) 0	145.25 (76) 1	145.25 (79) 4
OCT 06	148.25 (30) 0	148.25 (30) 0	147.13 (32) 2	147.13 (32) 0	147.00 (32) 0	147.00 (32) 0	147.03 (33) 1	147.03 (33) 0	145.50 (33) 1	145.50 (33) 0
CME - CASH BUTTER FUTURES -- Cents per pound										
DEC 05	138.25 (77) 5	138.28 (77) 0	137.75 (74) 8	136.50 (69) 5	136.50 (69) 0	136.50 (64) 5	136.50 (64) 0	136.05 (62) 3	136.00 (57) 5	136.00 (57) 0
JAN 06	141.25 (127) 7	142.00 (126) 22	141.50 (130) 9	140.75 (130) 6	140.00 (138) 9	139.00 (139) 5	140.00 (140) 1	138.00 (147) 7	136.50 (151) 5	136.00 (156) 5
FEB 06	142.00 (117) 15	143.00 (126) 15	143.00 (140) 14	142.75 (145) 10	140.50 (149) 11	140.00 (152) 15	139.25 (153) 1	139.50 (153) 3	138.00 (165) 15	137.75 (175) 13
MAR 06	142.00 (95) 0	143.00 (100) 5	143.00 (106) 6	142.50 (106) 2	141.75 (106) 1	141.50 (106) 7	141.75 (110) 4	141.00 (123) 16	138.50 (132) 25	138.25 (136) 8
APR 06	143.00 (58) 0	143.25 (63) 5	143.25 (64) 6	142.50 (67) 3	142.50 (77) 12	142.50 (77) 0	142.00 (84) 7	141.00 (95) 12	139.00 (109) 14	139.00 (109) 0

1/ At the CME open interest for milk -- 200,000 pounds per contract. For more detailed information, you may call our automated voice system at 608-224-5088.

INTERNATIONAL DAIRY MARKET NEWS

Information gathered December 12 - 23, 2005

Prices are U.S. \$/MT, F.O.B. port. Information gathered for this report is from trades, offers to sell, and secondary data. This bi-weekly report may not always contain the same products and/or regions. Future reports may be included or withdrawn depending on availability of information. MT = metric ton = 2,204.6 pounds.

WESTERN AND EASTERN EUROPE

WESTERN OVERVIEW: Milk production is generally at the lowest level of the season in most EU countries, but is starting to show signs of increases in Germany and France. As the milk production season starts to resume, many milk producers will be closely monitoring their milk marketings as the quota yearend nears. Although the quota yearend is still 3 months away, some producers are already preparing to adjust their milk shipments to stay within quota limits. Weather conditions throughout Europe have been quite typical for late fall and early winter. Heavier than usual volumes of snow have fallen in areas, with some areas, that typically do not get measurable snowfall, reporting accumulation already this year. Temperatures are not as cold as they have been in years past, thus milk producers are stating that conditions are not adverse for the start of the new production season. Winter feed stocks are sufficient and appear to be of good quality. Seasonal, holiday based, manufactured dairy product production has ceased, thus surplus milk volumes are available for processing. Most handlers and buyers state that the majority of this milk will be clearing to butter/powder operations. Cheese stocks are low, but many cheese plants will be out of operation during the upcoming holiday period. International buyer interest for most all types of manufactured dairy products is light. The upcoming holiday period along with continued lackluster demand will continue into the new year. Traders and handlers have mixed opinions as to how demand will be in the new year. Some indicate that they are addressing business on a day to day basis, while others are more optimistic and state that the first quarter of 2006 will be a period of increased demand.

BUTTER/BUTTEROIL: European butter markets are generally steady at unchanged prices. Surplus milk volumes are anticipated during the next week to 10 days during the yearend holiday period. Much of this milk will be clearing to butter/powder operations. Stocks of butter are available for domestic and international buyer interest. International sales are slow, although Russia is looking for butterfat at this time. Traders and handlers do not foresee this buyer interest to expand in the new year. Most sales activity continues to center around an internal or domestic market.

82% BUTTERFAT: 1,900 - 2,125
99% BUTTERFAT: 2,400 - 2,700

SKIM MILK POWDER (SMP): European skim milk markets remain steady at basically unchanged prices. Market activity is slow and unaggressive. Powder producers anticipate that production will be heavier during the upcoming holiday period as milk volumes will be directed toward butter/powder versus cheese or other manufactured dairy products. Stocks of powder are available for internal or international buyers.

1.25% BUTTERFAT: 2,125 - 2,250

WHOLE MILK POWDER (WMP): Whole milk powder markets are generally steady at unchanged prices. Stocks of powder are available. Sales activity is slow as buyers prepare for the year end holiday period. Traders and handlers have mixed opinions on the new year. Some feel that if sales do not develop in January, prices for February/March might weaken to encourage buyer interest. Milk production is starting to build in Western Europe, thus traders and handlers desire to clear their stocks before the new season gains momentum.

26% BUTTERFAT: 2,150 - 2,250

SWEET WHEY POWDER: Whey powder markets are generally steady at unchanged prices. Stocks are available, although during the upcoming holiday period, cheese production will be lower, thus potentially tightening whey volumes. Traders and handlers state that buyer interest has slowed which is typical for this holiday time of the year.

NONHYGROSCOPIC: 650 - 825

EASTERN OVERVIEW: Milk production in Eastern Europe is basically holding steady at seasonal low levels. This region of Europe is usually a month or so behind their Western counterparts. Stocks of manufactured dairy products are reported to be available from this region, but total volumes are uncertain. Traders and handlers in this part of Europe also report that international sales are slow, but are positive about the new year.

OCEANIA

OCEANIA OVERVIEW: Milk production continues to decline in the Oceania region. New Zealand producers and handlers continue to indicate that their output is trailing last year by about 2%. This is on top of last year's deficit of between 3 - 4%. Because the calendar year milk production season is not yet half over, producers and handlers are hopeful that the second half of the year will generate some additional milk volumes to makeup for first half shortages. At this point, weather conditions have not been favorable for this type of recovery, but producers remain optimistic. In Australia, milk production for the first 4 months of the year (July - October), is running 0.8% ahead of last year for the comparable period. This trend is basically on track with what handlers and producers were projecting. Early season projections were for a 1% increase over last year. Victoria and New South Wales, the 2 leading milk production areas of Australia, are running 1.2% ahead of last season. Queensland is 1.1% ahead of last year on a cumulative basis while South Australia is trailing by 4.5%. Supplies of manufactured dairy products are available to regular and going customers, but suppliers and traders state that stocks are fairly tight. Prices for current supplies are holding basically steady. No new buyer interest is being reported from the region. This limited sales activity is attributed to minimal, if any, supplies for spot or additional new buyer interest. Traders feel that they will be out of the spot market for much of the year, until milk production recovers sufficiently or supplies surpass need.

BUTTER: Butter prices and market conditions in Oceania are much the same as they have been in recent weeks. Milk production is trending lower in both Australia and New Zealand, thus cream volumes for churning are also on the down side. Producers and handlers state that they do not foresee much production change during the upcoming yearend holidays. Stocks are limited to regular and ongoing customer needs with very minimal volumes, if any, available for additional buyer interest.

82% BUTTERFAT: 1,900 - 2,100

CHEDDAR CHEESE: Oceania cheese production is holding seasonally steady at fairly strong levels. Although milk production is edging lower, cheese output remains active. Prices and the market tone are unchanged. Traders and handlers indicate that supplies are sufficient to maintain regular shipments to ongoing customers. At this point, producers and handlers are stating that supplies are basically fully committed to ongoing customer needs. Oceania traders are stating that sales to regular customers are maintaining previous year amounts, with some buyers looking to build on their orders.

39% MAXIMUM MOISTURE: 2,750 - 3,000

SKIM MILK POWDER (SMP): Oceania skim milk powder markets are generally steady at unchanged prices. Stocks of powder are fairly tight, but sufficient for regular and ongoing customer needs. Milk production is on track in Australia with projections but is trailing in New Zealand by 2% when compared to last season, thus traders and handlers do not foresee much buildup in surplus supplies for spot or additional new buyer interest.

1.25% BUTTERFAT: 2,100 - 2,250

WHOLE MILK POWDER (WMP): Whole milk powder prices are unchanged as the calendar year winds down. Traders and handlers state that market conditions are basically steady. Powder supplies are sufficient for contracted needs with additional volumes fairly tight. Traders and handlers indicate that it will be later in the season before they will possibly consider acknowledging additional or spot buyer interest.

26% BUTTERFAT: 2,200 - 2,300

Exchange rates for selected foreign currencies: December 19, 2005

.8552 Canadian Dollar	.0222 Indian Rupee
.3307 Argentina Peso	.5891 New Zealand Dollar
.0932 Mexican Peso	.7404 Australian Dollar
.3113 Polish Zloty	.0086 Japanese Yen
	1.2009 Euro

To compare the value of 1 US Dollar to Mexican Pesos: (1/.0932)= 10.7296 Mexican Pesos.

Source: "Wall Street Journal"

MONTHLY COLD STORAGE REPORT – TOTAL U.S. STOCKS

NOTE: Data for this report is collected from public, private and semiprivate warehouses, apple houses, and meat packing plants where food products are generally stored for 30 days or more. Commodities in space owned or leased and operated by the armed services are not reported. Food stocks held under bond are included in the storage data.

All stocks in thousand pounds except where otherwise indicated

U.S. HOLDINGS OF DAIRY PRODUCTS

COMMODITY	OCT 31, 2003	OCT 31, 2004	REVISED OCT 31, 2005	NOV 30, 2003	NOV 30, 2004	NOV 30, 2005
Butter	170,154	107,152	98,112	122,544	57,177	61,324
Cheese, Natural American	491,098	528,234	536,625	467,226	481,244	509,246
Cheese, Swiss	22,044	26,155	25,853	24,083	25,934	24,995
Cheese, Other Natural	209,264	201,729	188,452	204,232	197,073	182,543
Total Cheese	722,406	756,118	750,930	695,541	704,251	716,784

U.S. GOVERNMENT OWNED COLD STORAGE HOLDINGS

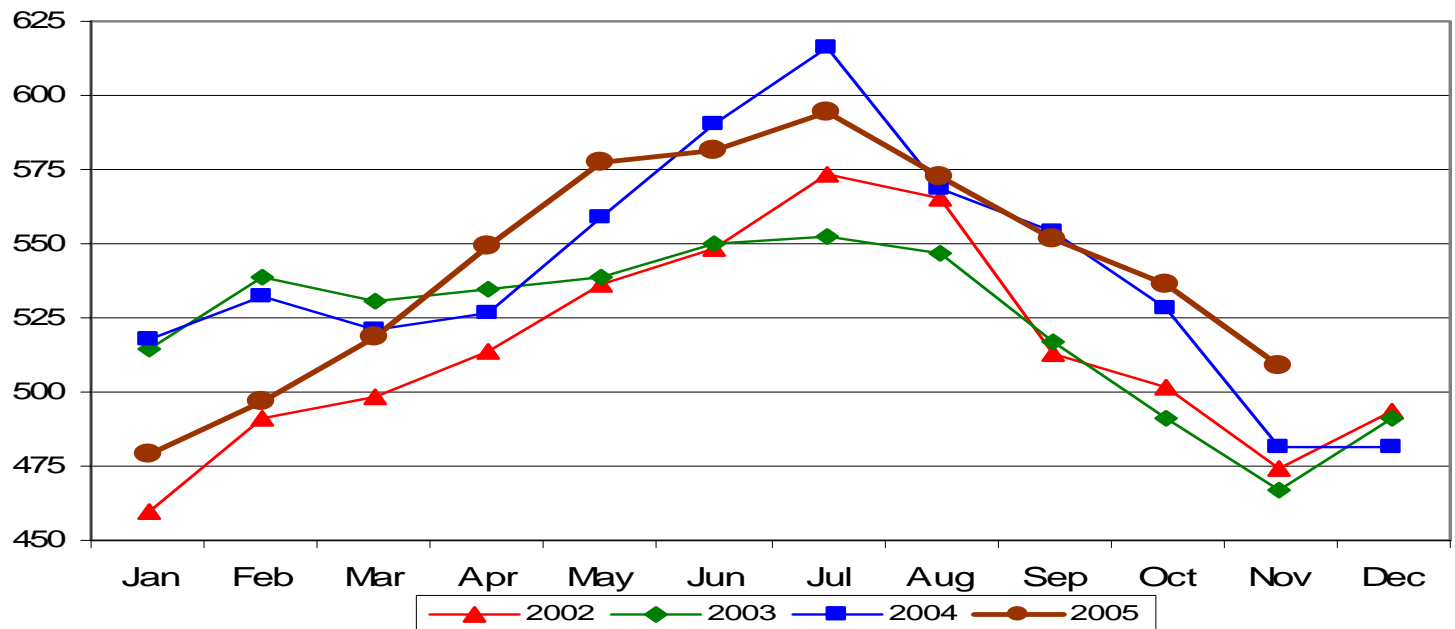
Butter	11,084	91	40	8,701	143	58
Natural American Cheese	9,473	6,868	844	6,918	4,947	801

NOVEMBER STORAGE HOLDINGS BY REGION

REGION	Natural American Cheese			Butter *			Other Natural Cheese		
	2003	2004	2005	2003	2004	2005	2003	2004	2005
New England	20,496	22,401	22,887	---	---	---	383	288	36
Middle Atlantic	45,229	54,791	46,588	---	---	---	14,631	10,256	10,070
East North Central	180,073	183,831	202,542	---	---	---	116,886	114,350	103,507
West North Central	109,439	109,341	105,846	---	---	---	53,353	55,473	51,316
South Atlantic	100	3,591	4,221	---	---	---	1,827	111	99
East South Central	181	297	299	---	---	---	2,139	2,143	2,584
West South Central	1,979	1,791	3,184	---	---	---	97	90	328
Mountain	17,429	26,107	37,126	---	---	---	3,576	4,975	903
Pacific	92,300	79,094	86,553	---	---	---	11,340	9,387	13,700
TOTAL	467,226	481,244	509,246	122,544	57,177	61,324	204,232	197,073	182,543

*Regional breakdowns are not reported to avoid possible disclosure of individual operations.

MILLION POUNDS AMERICAN CHEESE COLD STORAGE



COMMERCIAL AND GOVERNMENT STORAGE HOLDINGS, JANUARY 2004 TO DATE

Month	Butter						Natural American Cheese						Nonfat Dry Milk					
	Total <u>1/</u>		Commercial		Government		Total <u>1/</u>		Commercial		Government		Total <u>1/ 2/</u>		Commercial		Government <u>2/</u>	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
	Million Pounds						Million Pounds						Million Pounds					
January	77	152	77	151	<u>3/</u>	1	479	518	475	508	4	10	440	945	83	109	357	836
February	111	159	111	158	<u>3/</u>	1	497	533	494	523	3	10	374	896	79	95	296	800
March	132	158	132	158	<u>3/</u>	1	518	521	517	511	2	10	321	841	84	80	236	761
April	165	156	164	155	<u>3/</u>	<u>3/</u>	549	526	547	517	2	10	276	826	108	104	168	723
May	178	179	178	178	<u>3/</u>	<u>3/</u>	578	559	577	549	1	10	259	814	113	123	147	691
June	180	189	179	189	<u>3/</u>	<u>3/</u>	581	591	581	582	<u>3/</u>	9	NA	774	116	146	NA	628
July	177	194	177	193	<u>3/</u>	<u>3/</u>	595	616	594	609	1	7	235	755	120	161	116	594
August	150	161	150	161	<u>3/</u>	<u>3/</u>	573	569	572	562	1	7	177	716	110	149	67	567
September	124	133	124	133	<u>3/</u>	<u>3/</u>	551	554	551	547	1	6	182	650	95	127	87	523
October	98	107	98	107	<u>3/</u>	<u>3/</u>	537	528	536	521	1	7	166	602	92	116	74	486
November	61	57	61	57	<u>3/</u>	<u>3/</u>	509	481	508	476	1	5		552		94		458
December		45		45		<u>3/</u>		481		476		5		512		99		413

NA = Not available.

1/ Total may not add due to rounding. 2/ Includes instant nonfat dry milk. 3/ Less than 500,000 lbs.COMMERCIALLY OWNED COLD STORAGE HOLDINGS FOR THE UNITED STATES 1/

Commodity	Oct 31, 2003	Oct 31, 2004	Oct 31, 2005	Nov 30, 2003	Nov 30, 2004	Nov 30, 2005
	Thousand Pounds					
Butter	159,070	107,061	98,072	113,843	57,034	61,266
Natural American Cheese	481,625	521,366	535,781	460,308	476,257	508,445

1/ Total holdings minus Government owned holdings. For more information, see page 9 of this report.

SOURCE: "Cold Storage," Co St 1 (12-05) and "Dairy Products," Da 2-6 (12-05), Agricultural Statistics Board, National Agricultural Statistics Service; and "Summary of Processed Commodities in Store," Farm Service Agency.

NOVEMBER MILK PRODUCTION

Milk production in the 23 major states during November totaled 13.0 billion pounds, up 4.6 percent from November 2004. October revised production, at 13.3 billion pounds, was up 4.0 percent from October 2004. The October revision represented a decrease of 17 million pounds from last month's preliminary production estimate.

Production per cow in the 23 major states averaged 1,590 pounds for November, 59 pounds above November 2004.

The number of cows on farms in the 23 major states was 8.16 million head, 60,000 head more than November 2004, and 2,000 head more than October 2005.

NOVEMBER 2005 MILK COWS AND MILK PRODUCTION, BY STATES

STATE	MILK COWS 1/		MILK PER COW 2/		MILK PRODUCTION 2/		
	2004	2005	2004	2005	2004	2005	% CHANGE FROM 2004
	THOUSANDS		POUNDS		MILLION POUNDS		PERCENT
AZ	168	161	1,760	1,840	296	296	---
CA	1,741	1,770	1,700	1,725	2,960	3,053	3.1
CO	103	106	1,760	1,820	181	193	6.6
FL	137	136	1,250	1,210	171	165	-3.5
ID	434	471	1,720	1,780	746	838	12.3
IL	106	104	1,450	1,480	154	154	---
IN	154	157	1,540	1,650	237	259	9.3
IA	190	187	1,610	1,620	306	303	-1.0
KS	112	112	1,580	1,670	177	187	5.6
KY	109	102	1,030	1,040	112	106	-5.4
MI	306	312	1,660	1,735	508	541	6.5
MN	460	450	1,390	1,445	639	650	1.7
MO	120	114	1,215	1,230	146	140	-4.1
NM	322	337	1,605	1,720	517	580	12.2
NY	651	648	1,410	1,485	918	962	4.8
OH	266	270	1,390	1,400	370	378	2.2
OR	120	121	1,490	1,490	179	180	0.6
PA	563	556	1,420	1,500	799	834	4.4
TX	320	321	1,455	1,630	466	523	12.2
VT	144	142	1,415	1,460	204	207	1.5
VA	104	105	1,340	1,370	139	144	3.6
WA	235	242	1,825	1,835	429	444	3.5
WI	1,237	1,238	1,415	1,485	1,750	1,838	5.0
23 STATE TOTAL	8,102	8,162	1,531	1,590	12,404	12,975	4.6

1/ Includes dry cows. Excludes heifers not yet fresh. 2/ Excludes milk sucked by calves.

SOURCE: "Milk Production," Da 1-1 (12-05), Agricultural Statistics Board, National Agricultural Statistics Service, U.S. Department of Agriculture.

THE DAIRY OUTLOOK

Milk Production Surge Overcomes Demand Growth - Dairy markets in the second half of 2005 developed much as expected. The strong returns of the last 2 years unleashed large increases in milk production that outstripped expansion in dairy demand and eroded milk and dairy product prices. However, the remarkable demand of late 2005 was enough to keep price declines small. For the year, farm milk prices will average less than \$1 per cwt below the 2004 record—even though milk production probably has risen almost 4 percent on a daily average basis. Next year likely will look a lot like 2005. Milk production probably will rise substantially. The year-to-year increase is projected to be significantly smaller—but simply because the comparison is with the strong 2005 output instead of the weak 2004 production. Both domestic and export demand are expected to stay brisk. Farm milk prices are projected to decrease again but to hold near the 2000-05 average.

Milk Production Still Jumping - Expansion in milk production continues along expected patterns. Milk cow numbers have been pushed higher by farm expansions and the relatively few farm exits, results of the strong returns of the last 2 years. In the 23 major dairy States, October milk cow numbers were up 0.7 percent from a year earlier. Cow numbers have grown almost steadily since February. However, month-to-month increases slowed in late summer-early autumn, reflecting tightness in heifer markets and cooperative efforts to buy out milk cows. Milk per cow also has been quite strong. The 23-State average jumped about 4 percent from a year earlier during summer, up from the 5-year moving average at an annual rate of more than 2 percent. However, growth has been somewhat erratic and slipped a bit in October. Relative milk and concentrate prices provided ample incentive to push concentrate feeding. The mixture of good and mediocre forage from this year's crop may help to explain the variability in milk per cow expansion. These general patterns are expected to last through at least the end of 2006. The expected reduction in 2006 returns probably will not be enough to significantly slow farm expansions or boost farm exits. As long as enough replacements can be found, cow numbers are likely to edge higher. Variable forage quality probably will continue to be reflected in milk per cow, but growth likely will be robust. Year-to-year increases probably will drop by next spring as comparisons shift from the weak milk per cow of 2004 to the strong output of most of 2005. Milk production in the last quarter of 2005 is expected to remain more than 4 percent larger than a year earlier, bringing annual output almost 4 percent higher than 2004 on a daily average basis. The increase in the 2005 total will be the largest in two decades. Milk cows will average fractionally larger than 2004, while the rise in daily average milk per cow will exceed 3 percent. Another fractional rise in milk cows is projected to combine with about a 2-percent jump in milk per cow to boost 2006 milk production almost 3 percent. The modest growth in 2006 cow numbers is expected to be significantly constrained by tightness in replacement markets and the increasingly ponderous approval process for new or expanded dairy farms. However, the returns of recent years probably provided enough impetus for a significantly faster rise in cow numbers. If new operations can be brought on line faster than expected, increases in milk cow numbers and milk production could be considerably larger than projected, particularly during the second half.

Strong Replacement Demand Boosts Heifer Prices - Dairy replacement prices were a record \$1,870 in October, up more than \$200 from 1 year earlier and almost \$500 from 2 years earlier. The difference between replacement and slaughter values was about \$1,200, also a record. These high prices imply heifer availability is, and will continue, to constrain growth in cow numbers. Demand for heifers is responsible for the price increases. Even without imports from Canada, 2005 heifer supplies have been larger than 2004 and at least as large as 2003. The brisk demand represents continued farm expansion stimulus resulting from strong 2004 and 2005 returns. Expected modest declines in 2006 milk prices are unlikely to dampen expansion pressures significantly. Growth in heifer supplies is likely to fall short of demand, as the lagged effects of high 2004 replacement prices is expected to generate only slight inventory growth in 2006. Autumn replacement calf prices have reached levels over \$600, implying heifer raisers hold optimistic views of future heifer demand. Pressure on replacement heifer prices likely will ease only when milk prices decline enough to accelerate farm exits, opening up another source of replacements.

Continued on page 13

Manufactured Product Output Larger; Stocks Moderate - The increase in milk production during late summer-early autumn was spread among a number of manufactured dairy products. August-October output of all products rose about 4 percent on a milk-equivalent basis, with several cheeses and butter showing sizable increases. During this period, the values of milk for cheese and for butter-nonfat dry milk were similar. These patterns are expected to persist through at least the first half of 2006. November 1 commercial stocks were slightly smaller than a year earlier on both a milkfat and skim solids basis. However, 2005 seasonal declines from the summer peaks have not been as dramatic as in 2004. November holdings probably were comfortable in light of the continuing expansion in milk supplies. However, the brisk autumn sales probably would have kept somewhat larger stocks from being a concern, particularly for cheese. November 1 butter stocks were still slightly smaller than a year ago. Since then, weekly stocks reported to the Chicago Mercantile Exchange (CME) indicated that the seasonal decline remained slower than last year's, and stocks at the start of December may well have moved above a year earlier. Barring a late holiday surge in use, autumn holdings may have been slightly larger than needed. On the other hand, cheese stocks have run quite close to 2004 levels since early summer and probably were just adequate.

Commercial Use Grows - Commercial disappearance of dairy products was up sharply during September-October. Sales rose almost 4 percent from a year earlier on a milkfat basis and almost 5 percent on a skim solids basis. During these months of 2004, movement was relatively weak as buyers drew down pipeline holdings in order to minimize purchases on a falling market. Even so, this year's disappearance demonstrated continued good dairy demand. September-October commercial use of butter rose about 2 percent from a year earlier. Gains in butter sales this year have posted only modest gains from 2004's strong use. However, movement has been much steadier in this year's more stable markets. Commercial disappearance was above 100 million pounds in 7 of the first 10 months of 2005, the first time that has happened since 1999. In addition, any gain in the year following the volatile 2004 markets must be considered a sign of good demand. Like butter, cheese use benefited from brisk restaurant sales. September-October disappearance rose 3 percent from a year earlier. Meanwhile fluid milk sales managed to post a small gain, while use of soft manufactured products was mixed. Commercial disappearance of nonfat dry milk fell sharply during September-October—but the data are highly misleading. Very strong export markets have led to considerable production of powder that meets the international standards for skim milk powder but does not meet the U.S. standard of identity for nonfat dry milk. In addition, custom blends of skim solids and whey or other products are being produced for export. Sales of skim solids in all powders undoubtedly have risen in 2005. Dairy product demand is projected to remain good in 2006. Expected economic conditions are favorable, and restaurant use should be solid. Meanwhile, exports of skim solids are likely to stay heavy. Movement probably will be brisk enough to absorb the increase in milk output with only a modest decline in prices.

International Prices Hold - International dairy markets have remained strong as brisk demand continues to strain available export supplies. Nonfat dry milk prices were about \$2,200 per ton in November, down slightly from summer and a year earlier. However, the slippage was considerably less than would ordinarily be expected in light of the strengthening of the U.S. dollar. Butter prices rose a bit seasonally since summer, although November prices were down about \$100 per ton from a year earlier. Demand for milk powders has remained strong, reflecting good growth in the economies of Asia and parts of Latin America and high oil prices. Butter demand also has been fairly firm for many of the same reasons. However, Russia reportedly has not been seeking as much for winter needs as in recent years. Dairy product demand is expected to stay firm through at least the first half of 2006. After a promising start, New Zealand's milk production has faltered, the result of cool, wet weather on the North Island and dry conditions on the South Island. The seasonal peak was early and below expectations. Even if conditions improve during the second half of the season, the season total may not match the previous year. Higher rainfall after several drought years has improved Australia's production prospects, with gains posted in most states. A significant increase is expected for the season, but output is not likely to regain the levels of a few years ago.

Continued on page 14

Powder supplies from the Northern Hemisphere are not expected to grow. The European Union (EU-25) continues to have relatively tight markets and low intervention stocks. The United States will remain a large supplier of skim milk solids to international markets. However, the growth in U.S. milk output is projected to be absorbed domestically. Also, the low government stocks cannot provide additional market supplies as they did through most of 2005. Prices of butter and nonfat dry milk are expected to be fairly steady in 2006. Markets seem poised to maintain a fairly firm balance with no major shocks looming, at least through the first half. Some buyers appear a little more anxious than earlier because of concerns about Oceanic production. However, recovery in New Zealand could quickly dissipate these fears, and supplies should be large enough to forestall a buying frenzy in any case. Summer exports of U.S. nonfat dry milk slipped below a year earlier, although the quantities stayed large. The very large exports of autumn 2004 and winter 2005 were not sustainable in the face of strong domestic demand for dairy products (particularly cheese), even allowing for the unknown quantities of skim solids exported in blends with whey or other ingredients. Through September, reported 2005 exports of nonfat dry milk exceeded 500 million pounds. Exports may slip in 2006 because of smaller exportable supplies. January-September imports of milkfat fell 14 percent from a year earlier because of smaller high-tariff imports. This year's much more moderate domestic prices made imports in excess of the tariff-rate quotas (TRQ) considerably less profitable. January-September imports were down only slightly on a skim solids basis. Imports in 2006 are projected to be similar to 2005.

Wholesale Dairy Prices Erode - Cheese prices on the CME fell about 20 cents per pound between late September and early November. Although cheese movement was good, it could not absorb all of the available cheese at late summer prices. Since Thanksgiving, some of the earlier loss has been regained. The rise probably reflects concern about holiday supplies, as autumn production has faltered a bit, and stocks were modest. Once holiday needs are met, prices are likely to be under pressure again. Wholesale cheese prices are expected to slip during the first half of 2006. Unlike cheese, CME butter prices continued to decline. Since late September, butter prices decreased more than 30 cents per pound. Butter production has been large, and seasonal reductions in stocks have not matched last year's rapid pace. By the start of December, commercial butter holdings quite possibly were larger than the small stocks of a year earlier. Further erosion is projected once holiday needs are filled, but declines might be fairly modest. Unlike butter and cheese prices, prices of nonfat dry milk generally edged higher until reaching a plateau in November. Recent powder prices were aligned fully with international market prices for the first time this year. In fact, domestic prices were possibly a bit high relative to international prices, a situation that likely will adjust once seasonal increases in milk production begin in earnest. After modest winter increases, farm milk prices ran below a year earlier during the last three-fourths of 2005. However, the decline from last year's record average price will be less than \$1 per cwt, incredibly small for a year with 4-percent increases in milk production. In fact, the 2005 price will rank as the third highest ever. Strong domestic demand and tight international powder markets were key to holding milk prices. Additional milk production is expected to again outstrip demand growth in 2006, and milk prices are projected to fall \$1-2 per cwt. But, this decline must be considered moderate in light of the production expansion. In fact, expected 2006 milk prices would be close to the 2000-05 average. Several factors could substantially alter price prospects for next year. Milk production, under the stimulus of the returns of 2004-05, might easily break the bonds expected to restrain it. Also, international markets are traditionally unstable, and export of all of our extra skim solids is not certain. The return of nonfat dry milk surpluses would weigh heavily on domestic prices. On the other hand, domestic demand strength was underestimated in both 2004 and 2005. Prices could run significantly higher if demand growth stays as robust.

Retail Prices Wobbly - During the first 10 months of 2005, retail dairy prices rose and fell erratically but stayed within a very narrow range. In September-October, retail prices were barely higher than a year earlier, after posting large year-to-year increases earlier in the year. For all of 2005, retail prices are expected to average about 1 percent higher than 2004. A moderate rise in the farm-to-retail price spread will have outweighed the decline in farm milk prices. A similar rise in the spread in 2006 is projected to offset the farm milk price decline, leaving retail prices averaging much the same as 2005.

SOURCE: "Livestock, Dairy, and Poultry Outlook", LDP-M-138, December 16, 2005, Economic Research Service, USDA. For more information, contact James J. Miller, (202) 694-5184.

FEDERAL MILK ORDER PRICE AND POOL SUMMARY, NOVEMBER

HIGHLIGHTS - Handler reports of receipts and utilization under the Federal milk order system for November have been filed and tabulated. Combined totals for the 10 consolidated orders are being released. During November, about 9.5 billion pounds of milk were received from producers. This volume of milk is 23.5 percent higher than the November 2004 volume. (Taking into account the volume of milk not pooled due to intraorder disadvantageous price relationships, the year-to-year change is +1.4 percent.) About 3.8 billion pounds of producer milk were used in Class I products, 1.6 percent lower than the previous year. Calendar composition likely had a negative impact on milk used in Class I in 2005 as compared to 2004. The all-market average Class utilization percentages were; Class I = 40%, Class II = 12%, Class III = 39%, and Class IV = 9%. The weighted average statistical uniform price was \$14.75 per cwt., \$0.52 lower than last month, and \$1.00 lower than last year.

PRICE AND POOL STATISTICS FOR FEDERAL MILK ORDER MARKETING AREAS FOR THE MONTH OF NOVEMBER 2005										
FEDERAL MILK ORDER MARKETING AREA <u>1/</u>	ORDER NUMBER	RECEIPTS OF PRODUCER MILK		UTILIZATION OF PRODUCER MILK IN CLASS I			UTILIZATION OF PRODUCER MILK IN OTHER CLASSES			UNIFORM PRICE <u>2/</u>
		TOTAL	CHANGE FROM PREV. YEAR	TOTAL	CHANGE FROM PREV. YEAR	PERCENT	CLASS II	CLASS III	CLASS IV	
		MIL. LBS.	PERCENT	MIL. LBS.	PERCENT		PERCENT			\$ PER CWT.
Northeast (Boston)	001	1,836.8	3.7	895.1	-2.7	49	20	22	9	15.41
Appalachian (Charlotte)	005	508.5	0.0	355.6	-3.6	70	15	7	8	16.30
Southeast (Atlanta)	007	576.0	1.6	388.3	-4.3	67	9	13	11	16.22
Florida (Tampa)	006	247.2	7.4	218.1	6.4	88	8	<u>3/</u>	4	17.71
Midwest (Cleveland)	033	1,404.6	-4.9	561.8	-0.1	40	15	38	7	14.35
Upper Midwest (Chicago)	030	2,057.5	116.4	383.1	-0.7	19	5	74	2	13.79
Central (Kansas City)	032	1,233.4	62.1	373.2	-2.6	30	10	51	9	14.06
Southwest (Dallas)	126	829.8	9.2	357.7	-0.7	43	11	32	14	15.15
Arizona-Las Vegas (Phoenix)	131	237.1	4.0	88.3	4.8	37	10	40	13	14.50
Pacific Northwest (Seattle)	124	604.2	29.8	185.4	-4.5	31	7	28	34	13.91
ALL MARKET AVERAGE OR TOTAL	<u>4/</u>	9,535.1	23.5	3,806.8	-1.6	40	12	39	9	14.75

1/ Names in parentheses are the major city in the principal pricing point of the market.

2/ Statistical uniform price for component pricing orders (Class III price plus producer price differential). For other orders, uniform skim milk price times 0.965 plus uniform butterfat price times 3.5.

3/ Less than 0.5 percent.

4/ In November 2004, due to a disadvantageous relationship between intraorder class prices and the location adjusted statistical uniform (blend) price in Order Nos. 033, 030, 032, 126, and 124, handlers elected not to pool 1.7 billion pounds of milk that normally would have been associated with these markets. After adjusting for these not pooled volumes, the year-to-year percent change is +1.4.

CCC PURCHASES OF DAIRY PRODUCTS (POUNDS)

	FOR THE WEEK OF DECMEBER 19 - 23, 2005			CUMULATIVE TOTALS		UNCOMMITTED INVENTORIES	
	TOTAL PURCHASES	CONTRACT ADJUSTMENTS	ADJUSTED PURCHASES	SINCE 10/01/05	SAME PERIOD LAST YEAR	WEEK ENDING 12/16/05	SAME PERIOD LAST YEAR
BUTTER							
Bulk	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Packaged	-0-	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-	-0-
CHEESE							
Block	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Barrel	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Process	-0-	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-	-0-
NONFAT DRY MILK							
Nonfortified	-0-	-0-	-0-	-0-	31,817,269	-0-	-0-
Fortified	-0-	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL	-0-	-0-	-0-	-0-	31,817,269	-0-	-0-

MILK EQUIVALENT, FAT SOLIDS BASIS, OF ADJUSTED PURCHASES (MILLION POUNDS)

	MILKFAT* BASIS	SKIM** SOLIDS		MILKFAT* BASIS	SKIM** SOLIDS
WEEK OF DECEMBER 19 - 23, 2005 =	0.0	0.0	COMPARABLE PERIOD IN 2004 =	0.0	0.0
CUMULATIVE SINCE OCTOBER 1, 2005 =	0.0	0.0	CUMULATIVE SAME PERIOD LAST YEAR =	7.0	370.4
CUMULATIVE JAN. 1 - DEC. 23, 2005 =	0.0	0.0	COMPARABLE CALENDAR YEAR 2004 =	60.2	3,233.1

* Factors used for Fat Solids Basis - Butter times 21.80; Cheese times 9.23; and Nonfat Dry Milk times 0.22

**Factors used for Skim Solids Basis - Butter times 0.12; Cheese times 9.90; and Nonfat Dry Milk times 11.64

CCC ADJUSTED PURCHASES SINCE 10/1/05 AND SAME PERIOD LAST YEAR (POUNDS) AND MILK EQUIVALENT AS A PERCENT OF TOTAL

REGION	BUTTER		CHEESE		NONFAT DRY MILK		MILK EQUIVALENT (%)	
	2005/06	2004/05	2005/06	2004/05	2005/06	2004/05	2005/06	2004/05
CENTRAL	-0-	-0-	-0-	-0-	-0-	1,331,567	-0-	4.2
WEST	-0-	-0-	-0-	-0-	-0-	29,415,099	-0-	92.4
EAST	-0-	-0-	-0-	-0-	-0-	1,070,603	-0-	3.4
TOTAL	-0-	-0-	-0-	-0-	-0-	31,817,269	-0-	100.0

SUPPORT PURCHASE PRICES FOR DAIRY PRODUCTS PRODUCED ON OR AFTER NOVEMBER 15, 2002

MANUFACTURING MILK Average Test 3.67% - \$9.90 per cwt.

BUTTER Bulk \$1.0500 per pound; 1# Prints \$1.0850

CHEESE 40 & 60# Blocks \$1.1314 per pound; 500# Barrels \$1.1014; Process American 5# \$1.1889; Process Am. 2# \$1.2289

NONFAT DRY MILK Nonfortified \$.8000 per pound; Fortified \$.8100; Instant \$0.9625

U.S. Dairy & Total Cow Slaughter under Federal Inspection, by Regions, for Week Ending 12/03/05 & Comparable Week 2004

Regions* (000 HEAD)	1	2	3	4	5	6	7	8	9	10	U.S. TOTAL		% DAIRY OF ALL	
											WEEK	SINCE JAN 1	WEEK	SINCE JAN 1
2005-Dairy	N.A.	0.5	6.6	2.5	16.7	2.7	0.3	N.A.	17.4	2.0	50.0	2,119.8	48.1	47.3
2004-Dairy	N.A.	0.8	6.7	2.7	17.9	3.7	0.9	N.A.	15.2	2.5	51.5	2,199.7	48.1	46.4
2005-All cows	N.A.	0.6	7.8	10.7	31.8	16.1	11.6	N.A.	20.0	2.5	103.9	4,477.9		
2004-All cows	N.A.	0.9	8.3	11.7	32.7	14.8	12.7	N.A.	16.9	5.8	107.1	4,739.9		

SOURCE: The slaughter data are gathered and tabulated in a cooperative effort by the Agricultural Marketing Service, The Food Safety and Inspection Service, and the National Agricultural Statistics Service, all of USDA. 1/ States included in regions are as follows: Region 1--ME, NH, VT, CT, MA, and RI; Region 2--NY and NJ; Region 3--DE, PA, WV, VA, and MD; Region 4--KY, TN, NC, SC, GA, AL, MS, and FL; Region 5--MI, OH, IN, IL, WI, and MN; Region 6--TX, OK, NM, AR, and LA; Region 7--IA, NB, KS, and MO; Region 8--MT, WY, CO, UT, ND, and SD; Region 9--CA, NV, AZ, and HA; Region 10--ID, OR, and WA. 2/ Totals may not add due to rounding.

CLASS III MILK PRICES, (3.5% BF)

YEAR	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
2002	11.87	11.63	10.65	10.85	10.82	10.09	9.33	9.54	9.92	10.72	9.84	9.74
2003	9.78	9.66	9.11	9.41	9.71	9.75	11.78	13.80	14.30	14.39	13.47	11.87
2004	11.61	11.89	14.49	19.66	20.58	17.68	14.85	14.04	14.72	14.16	14.89	16.14

FEDERAL MILK ORDER CLASS PRICES FOR 2005 (3.5% BF)

CLASS	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN 2006
I 1/	16.65	13.79	15.43	14.13	14.80	13.62	13.89	14.44	13.70	14.27	14.56	13.57	13.38
II	13.04	13.36	13.25	13.24	12.78	13.06	13.79	13.95	14.35	14.25	13.49		
III	14.14	14.70	14.08	14.61	13.77	13.92	14.35	13.60	14.30	14.35	13.35		
IV	12.52	12.74	12.66	12.61	12.20	12.33	13.17	13.44	13.75	13.61	12.90		

1/ Specific order differentials to be added to this base price are located at www.ams.usda.gov/dyfm05/mib/cls_prod_cmp_pr.htm